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MONTHLY REPORT

Surveys of Consumer Attitudes

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CONSUMER SENTIMENT RECORDS FOURTH CONSECUTIVE MONTHLY IMPROVEMENT

** In the September 1980 survey, the Index of Consumer Sentiment stood at 73.7, up 6.4 Index-points from the August reading. This marks the fourth consecutive monthly increase, which in total amounts to an impressive 22 Index-points improvement since the record low recorded in May 1980. The September improvement in consumer attitudes was led by more favorable short-term business expectations.

** Among families with incomes of $20,000 or more, the Index of Consumer Sentiment was 75.1 in September, up from 70.9 in August, and 20 Index points above the 55.2 recorded in May 1980. The least improvement since May in sentiment was recorded among residents of the North Central region.

** Personal financial expectations were more favorable in the September 1980 survey than at any other time during the prior three years. In September 1980, 34 percent of all families expected to be better off financially in the year ahead (up from 24 percent in September 1979), compared with 17 percent who expected to be financially worse off (down from 26 percent in September 1979).

** Although the majority of consumers continue to view current business conditions as worse than those of a year earlier, the proportion who expected improved business conditions in the year ahead increased significantly in the September 1980 survey. Among all families, 32 percent expected business conditions to improve, compared with 17 percent who expected business conditions to worsen. These figures are nearly the reverse of the year earlier reading, when just 15 percent expected business conditions to improve compared with 35 percent who expected conditions to worsen (September 1979).

** Interest rates were expected to increase by 53 percent of all households in September 1980, up sharply from the 39 percent recorded in August, and 21 percent recorded in both the June and July 1980 surveys. The proportion who expected interest rates to decline in the year ahead fell from 54 percent in June 1980 to just 18 percent in September 1980.

** Price expectations have remained largely unchanged in the past 5 months, with expected rates of inflation ranging between 8% and 9%, significantly below the double digit levels recorded in early 1980. In September 1980, consumers expected prices to increase on average by 8.5%, up from 8.0% in August and 8.2% in May 1980.

** Attitudes toward buying conditions for cars remained largely unchanged in the September survey compared with the August reading, although much improved since the May 1980 lowpoint. Among all families, 42 percent rated buying conditions for cars as favorable, unchanged from the August reading, and up significantly from the 29 percent recorded in May 1980.

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** Attitudes toward buying conditions for large household durables continued to improve from the record low levels recorded in early 1980. Among all families, 52 percent rated buying conditions for household durables favorably in September, up from 47 percent in August, and 35 percent in May 1980. In contrast to the sharp improvement in buying attitudes toward durable goods, changes in attitudes toward buying conditions for houses reversed some of the rapid improvement recorded during the prior several months. Among all families, 38 percent rated buying conditions for houses as favorable in September, down from 44 percent in August, but still significantly above the 18 percent recorded in May 1980. The increase in unfavorable buying attitudes toward houses in the September survey resulted from more frequent mentions of high interest rates and tight credit conditions.

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The rapid improvement in consumer sentiment continues to be based on more favorable expectations for future improvement, rather than on more favorable assessments of the current situation. Expected improvements in both personal finances and business conditions were reported more frequently in September 1980 than in September 1979, but evaluations of consumers current financial situation and buying conditions were on balance still less favorable than year earlier readings. Heightened concern with rising interest rates was recorded in September, although fears of spreading unemployment have lessened, and expected inflation rates have declined since early 1980. Improvements since May in buying attitudes have been due to improved credit conditions, although recent increases in mortgage interest rates have led to weakened buying attitudes for houses.

The September 1980 survey included 682 interviews conducted between August 25 and September 22, 1980.